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SIPDIS

SENSITIVE

STATE FOR IO/SHA (LLUM) PASS TO AMB SAUERBREY  
STATE FOR WHA AND WHA/CEN  
STATE PASS AID FOR LAC/CEN

E.O. 12958: N/A

TAGS: OVIP PREL PGOV PHUM ECON SNAR HO

SUBJECT: SCENESETTER FOR AMBASSADOR SAUERBREY'S VISIT TO  
HONDURAS, FEBRUARY 19-20

**¶11. (SBU)** Summary: Post welcomes the visit of Ambassador Sauerbrey to Honduras February 19-20. Honduran President Ricardo Maduro, half way through his constitutionally mandated single four-year term, faces difficult task leading a highly indebted poor country with numerous challenges. Bilateral relations between the U.S. and Honduras are excellent; Honduras was the first country in the Western Hemisphere to sign and ratify an ICC Article 98 Agreement with the United States. Honduras' support for the international counterterrorism effort is steadfast and the Government of Honduras (GOH) has sent troops to Iraq in support of Operation Iraqi Freedom. End Summary.

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Counterterrorism Cooperation  
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**¶12. (SBU)** Maduro is a good and reliable friend of the U.S. on counterterrorism. The GOH has responded quickly to all USG requests regarding terrorist threats and financing, and to date no terrorist assets have been found in Honduran financial institutions. The Congress has recently approved two international counterterrorism (CT) conventions/protocols and two OAS CT conventions (1971 and 2002). Once the president signs the decrees and they are published in La Gaceta (akin to the Federal Register), Honduras will have become party to all 12 international and two OAS CT conventions.

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Iraq and Other Key Foreign Policy Goals  
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**¶13. (SBU)** The GOH is very supportive of USG foreign policy goals, including Iraq. In support of Operation Iraqi Freedom (OIF), the GOH deployed some 370 troops to the vicinity of An Najaf as part of the Spanish Brigade operating under the Polish Division. The troops are being rotated with a second contingent this month. Central American units from El Salvador, Nicaragua, and the Dominican Republic are also serving under Spanish command. In August 2003, CJCS GEN Myers and Secretary Rumsfeld visited Honduras, and in November 2003, Secretary Powell visited Honduras, to thank the GOH for its support of OIF. Their visits were well received and provided important political support for Maduro's Iraq policy. Honduras is also very supportive at the UN, sharing our views on resolutions covering such key issues as human rights, human cloning, and the Middle East.

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Bilateral Political/Military Issues  
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**¶14. (U)** Honduras was the first country in all the Western Hemisphere to sign and ratify an Article 98 Agreement with the United States. In January of 1999, the constitution was amended to abolish the position of military commander in chief of the Honduran Armed Forces (HOAF), thus codifying civilian authority over the military. Honduras now has a civilian Minister of Defense (MOD) and a Chief of the Joint Staff who heads the HOAF. Civilian control over the HOAF is complete. This transition has resulted in greater transparency and fiscal accountability. The HOAF has a new focus on trans-national threats, including counterterrorism, narcotics trafficking, and combating international criminal organizations. The HOAF is also interested in establishing an ability to participate in international peacekeeping operations.

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Soto Cano Air Base - Joint Task Force Bravo  
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**¶15. (SBU)** Five hundred sixty-five U.S. service men and women and eleven civilian DOD employees are currently stationed at Honduras' Soto Cano Air Base under the auspices of SOUTHCOTM as Joint Task Force Bravo. In 1954, the USG and GOH signed a Bilateral Military Assistance Agreement that set forth their intention to work closely together to foster peace and security in the Western Hemisphere. The ICC Article 98

Agreement with Honduras is therefore a particularly important accomplishment and will enable our military forces to continue to work together in such areas as disaster relief, joint training exercises, and counternarcotics missions.

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Counternarcotics  
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**16.** (SBU) Honduras' geography places it squarely in the middle of a major illegal drug trans-shipment zone. Honduras' airspace is regularly violated by drug traffickers, who also use go-fast boats to transit their cocaine through the Western Caribbean region. In 2003, Honduras seized approximately 5,700 kilos of cocaine. This is significantly more than had been seized in the last seven years combined.

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Border Relations  
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**17.** (SBU) Honduras has border disputes with its three Central American land neighbors and its seven maritime neighbors. Maduro is personally engaged with his Presidential counterparts to address these issues. Its land and maritime disputes with El Salvador and Nicaragua are the most heated. The Gulf of Fonseca on the Pacific coast has been a particularly difficult point. A 1992 International Court of Justice (ICJ) ruling laid out shared areas of control in the Gulf of Fonseca and established the land border between Honduras and El Salvador, although El Salvador has been slow to implement the ruling. In September 2002, El Salvador requested a revision of the 1992 ICJ ruling. In December 2003, the ICJ ruled against the Salvadoran appeal, bringing an end to the case. The Organization of American States (as a neutral third party) is providing both nations technical assistance to help them implement the non-disputed elements of the ICJ's ruling.

**18.** (SBU) On the Caribbean coast, Honduras and Nicaragua have a long-standing maritime border dispute over the 15th parallel. In the past, the dispute has threatened to derail trilateral counternarcotics operations. Honduras provoked Nicaraguan retaliation when it signed a maritime treaty with Colombia recognizing the 15th parallel as its maritime border in 1999. Nicaragua filed an ICJ case over the maritime border and more importantly in 1999 slapped a punitive 35 percent tariff on Honduran goods. This tariff remained in place until April 2003 despite a Central American Court of Justice ruling that it was illegal. Only after Honduras responded with a retaliatory tariff, threatening Nicaraguan exports, did Managua rescind the tax.

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Economic Overview  
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**19.** (SBU) Honduras, with a per capita income of USD 950, is the third poorest country in the Western Hemisphere ahead of only Nicaragua and Haiti. The economy is still growing (about 2.5 percent per year) but slower than the population growth rate of 3.5 percent per year. Social indicators are improving, but two-thirds of all Hondurans live in poverty and average education levels are very low. Historically low world coffee prices have hit rural areas particularly hard (although they are now rising somewhat) forcing major cutbacks in planting, fertilizing, harvesting and investment. The economy continues to be dominated by agriculture, particularly the production of bananas, coffee, cultivated shrimp, melons and other fruits, vegetables and grains.

**10.** (SBU) The apparel assembly (maquila) sector grew dramatically in the 1990s reaching peak employment in 2000 of about 120,000 people. Activity slowed after 2001 because of the U.S. economic slowdown in 2001-2002 and increased competition from Asia, but the sector appears to be rebounding this year. While there has been some economic diversification (melons, cultivated shrimp, palm oil), there continues to be a large subsistence farmer population with few opportunities other than illegal immigration to the U.S. The Honduran government's desire to attract new types of foreign investment has been hindered by the stagnant economy and a wide range of investment climate/competitiveness problems.

**11.** (SBU) Remittances from Hondurans abroad, particularly the U.S., continue to grow rapidly and have become the most important source of foreign exchange. The U.S. is Honduras' largest trading partner. The roughly 150 U.S. companies that do business in Honduras constitute the largest block of foreign direct investors.

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IMF Letter of Intent and CAFTA Positive Steps Forward  
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**12.** (SBU) After almost two years of negotiations, the Maduro

Administration recently signed a Letter of Intent with the International Monetary Fund for a three-year Poverty Reduction and Growth Facility Program (expected to be approved on February 18). The GOH, along with its four Central American neighbors (Costa Rica, El Salvador, Guatemala, and Nicaragua) also recently signed the U.S.-Central American Free Trade Agreement (CAFTA). Maduro's team is hoping that CAFTA can serve as a catalyst to spur regional economic cooperation and integration.

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Supreme Court and Judicial Reform  
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¶13. (SBU) The current Supreme Court is developing into an independent branch of power, unlike any of its predecessor courts since democracy was restored in 1982. It is pro-reform in orientation and fighting for its prerogatives. A key emerging issue is whether it can become a fully independent and co-equal branch of political power, consistent with the separation of powers provision in the Honduran Constitution. The established political order is fighting that prospect with vigor. In fact, the Congress seized the political opportunity to introduce legislation that would amend the constitution to give itself the power to interpret the constitutionality of the laws it passes. The Supreme Court ruled in May 2003 that the proposed amendment was unconstitutional, which sparked a tense confrontation between the Supreme Court and Congress. The issue receded until recently when Congress passed a new amendment to the Constitution again granting Congress the right to interpret the constitutionality of laws it passes. A legal challenge to this amendment is expected in the near future.

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Public Security/Human Rights  
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¶14. (SBU) Upon taking office on January 27, 2002, President Maduro's first act was to fulfill his main campaign promise -- a zero tolerance campaign against the country's out-of-control crime situation. He deployed more than 5,000 soldiers to the streets to support the police. The public responded enthusiastically. However, after initial success of establishing a visible police presence, violent crime, particularly homicides, continued at a high rate, although there is evidence that the murder rate has fallen in the last several months. The USG is helping the Maduro government establish an anti-kidnapping unit, increase intake/training of police recruits, create a model tourist police force, boost its counternarcotics efforts, and expand the frontier police. The country's geographic position makes it an obvious strategic transit point for narcotics trafficking, alien smuggling operations, trafficking in persons, and other organized crime activities.

¶15. (SBU) Extrajudicial killings, especially of children/young adults since 1998, have been a source of serious concern and only recently has the GOH begun to take steps to investigate the hundreds of unsolved cases. Human rights groups regularly accuse former security force officials and the business community of colluding to organize "death squads" to commit these summary, and arbitrary executions. There are also serious problems with child labor in several industries, particularly melon, coffee, and sugar cane (but not the maquila) sectors, and trafficking in persons of women/children for commercial sexual exploitation in the U.S., Central America, and Mexico. USAID and Peace Corps have both been involved in HIV/AIDS prevention.

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Consular Issues  
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¶16. (SBU) Approximately 800,000 Hondurans, both legal and illegal, live in the U.S., a fact that places immigration issues high on the bilateral agenda. (The population of Honduras is 6.5 million.) There is deep appreciation for the USG's extension of Temporary Protected Status (TPS) in the U.S. and interest in possible congressional action on the proposed Nicaraguan Adjustment and Central American Relief Act (NACARA), which would give immigration parity for Hondurans. With approximately 11,000 American citizens residing in Honduras and many thousands visiting Honduras annually for tourism and business, American Citizen Services are a key part of the Embassy's work. Since 1995, 35 American Citizens have been murdered in Honduras. There was not much progress on most of these cases until 2003, but there have now been 15 convictions in eight cases. Some progress has been made on extradition cases involving American Citizens residing in Honduras who are wanted for felonies in the United States.

117. (SBU) Embassy Tegucigalpa is a medium-sized post, employing 140 U.S. citizens and 300 Hondurans among 20 USG agencies. The Peace Corps program, with more than 245 volunteers, is one of the world's largest, and the USAID mission had a FY03 budget of USD 45 million. The Mission maintains a Consular Agent in Honduras' second city and industrial center, San Pedro Sula.

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